

VA TECH WABAG LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS & ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Preamble

VA Tech Wabag Ltd (the “**Company**” or “**Wabag**” or “**listed entity**”) recognizes that Related Party Transactions as defined below can present a risk of actual or conflict of interest and to uphold the highest standards of Corporate Governance has adopted the following policy and procedures with regard to Related Party Transactions.

Therefore, the Board of Directors (“**the Board**”) of the Company has adopted the following Policy and procedures with regard to the Related Party Transactions. This policy on materiality of related party transactions and on dealing with related party transactions is to regulate transactions between the Company and its Related Parties based on the laws, rules and regulations as may be applicable on the Company as amended from time to time. The Audit Committee (“**the Committee**”)/ the Board would review and amend the policy from time to time as may be applicable.

The original Policy was approved by the Board on November 8, 2014 and adopted/ effective from October 1, 2014.

2. Purpose

This policy is framed as per requirement of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “**SEBI LODR 2015**”), read with the provisions of the Companies Act, 2013 and rules made thereunder and relevant Accounting Standard issued by ICAI as amended from time to time and intended to ensure that proper approval and reporting of transactions between the Company and its Related Parties are in place. Such transactions are appropriate only if they are in the best interest of the Company and its Members. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties and to disseminate the Related Party Transactions in the format and manner prescribed under the SEBI regulations to the Stock Exchanges, as applicable.

The policy on materiality of related party transactions and on dealing with related party transactions approved by the Board of Directors shall be reviewed by the Board of Directors at least once in every 3 (three) years w.e.f. April 01, 2019 and updated accordingly.

SEBI vide its Circulars dated February 14, 2025, March 21, 2025, June 26, 2025 and other Circular(s) issued by SEBI from time to time, has issued the Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction” and also simplified the standard format(s). This Policy shall be read and complied in with line with the aforesaid SEBI Circulars, as may be amended from time to time in future. The Company shall provide, the Audit Committee, with the information as specified in the said Industry Standards on “Minimum information to be provided for review of the Audit Committee and Shareholders for approval of a RPT”, while placing any proposal for review and approval of an RPT. The gist of the minimum information (as contained in the aforesaid Circulars

and / or as may be amended from time to time by SEBI) shall be placed before the Audit Committee and Shareholders, for their approval.

3. Definitions

- 1) **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under Regulations of the SEBI LODR 2015 and the Companies Act, 2013.
- 2) **“Arm’s Length Transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- 3) **“Associate” and / or “Associate Company”** means Party as defined in clause (b) of sub-regulation (1) of the regulation 2 of the SEBI LODR 2015 as amended from time to time and as defined in section 2(6) of the Companies Act, 2013.
- 4) **“Board”** means Board of Directors of the Company.
- 5) **“Control”** shall have the same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time and includes:
 - a. Ownership, directly or indirectly, or more than one half of the voting power of an enterprise or
 - b. Control of composition of board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
 - c. A substantial interest in voting power and the power to direct, by statute or agreement, the financial and /or operating policies of the enterprises.
- 6) **“Industry Standards”** means “Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction” as issued by the SEBI.
- 7) **“Key Managerial Personnel (KMP)”** means key managerial personnel as defined under the Companies Act, 2013 and includes:
 - (i) the Managing Director, or Chief Executive Officer or manager;
 - (ii) the whole-time director;
 - (iii) the Company Secretary;
 - (iv) the Chief Financial Officer; and
 - (v) such other Officer, not more than one level below the directors who is in whole-time employment, designated as KMP by the Board; and such other officer as may be prescribed under the Companies Act, 2013.

Notwithstanding anything contained hereinabove, as per regulation 6 of the SEBI LODR 2015, the Compliance Officer shall be an officer, who is in whole time employment of the listed

entity, not more than one level below the board of directors and shall be designated as a KMP.

- 8) **“Material Related Party Transaction”** means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified in Schedule XII of the SEBI LODR 2015 as given below and / or as may be amended from time to time by SEBI or such limits as may be prescribed either in the Companies Act, 2013 or the SEBI LODR 2015 or by the Audit Committee or by the Board from time to time:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to INR 20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than INR 20,000 Crore to upto INR 40,000 Crore	INR 2,000 Crore + 5% of the annual consolidated turnover of the listed entity above INR 20,000 Crore
(III) More than INR 40,000 Crore	INR 3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above INR 40,000 Crore or INR 5,000 Crores, whichever is lower.

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent (**5%**) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- 9) **“Material Modification”** of related party transaction means any modification to an existing related party transaction having variance of **30%** of the omnibus approval/ limits as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.
- 10) **“Policy”** means Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions.
- 11) **“Related Party”** means Party as defined in sub-section (76) of section 2 of the Companies Act, 2013 and clause (zb) of sub-regulation (1) of the regulation 2 of the SEBI LODR 2015 as amended from time to time.

12) **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules made thereunder and regulation 2(1)(zd) of the SEBI LODR 2015, as amended from time to time.

13) **“Related Party Transaction”** means transactions as defined in clause (zc) of sub-regulation (1) of the regulation 2 of the SEBI LODR 2015 as amended from time to time.

4. Approval Process

The requirements concerning the Related Party Transactions are covered under both the Companies Act, 2013 and the SEBI LODR 2015 and amendments issued from time to time. The Company is required to comply with the provisions of applicable laws.

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the listed entity, as prescribed under the applicable laws:

Provided that only those Members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions and accordingly this is covered under this Policy, as mentioned above;
- (b) a related party transaction above **INR 1 Crore**, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction, exceeds the lower of the following:
 - (i) **10%** of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
 - (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of the SEBI LODR 2015.
- (c) In the event of a related party transaction above **INR 1 Crore**, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of the listed entity shall be obtained if the value of such transaction exceeds the lower of the following:
 - (i) **10%** of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
 - (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of the SEBI LODR 2015:

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee;

- (d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the SEBI LODR 2015 are applicable to such listed subsidiary;

[Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.]

- (e) remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23 of the SEBI LODR 2015;
- (f) The members of the audit committee of the listed entity, who are independent directors, may ratify related party transactions within three (3) months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore **(INR 1 Crore)**;
 - (ii) the transaction is not material in terms of the provisions of regulation 23(1) of the SEBI LODR 2015;
 - (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of regulation 23(9) of the SEBI LODR 2015;
 - (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

No Member of the Audit Committee shall participate in the review, consideration or approval of any Related Party Transaction with respect to which such Member or any of his or her relative is a Related Party.

The Approval process to be followed by the Company is listed below:

- a. Identification of Related Party Transactions.

- b. Review and approval of Related Party Transactions by the Audit Committee.
- c. Board approval of Related Party Transactions wherever applicable.
- d. Material Related party transactions and its approval.
- e. Approval for other than Material Related party transaction.
- f. Omnibus approval.

a. Identification of Potential Related Party Transactions:

The Company shall at all times identify and maintain a list of all potential Related Party Transactions. The information shall also specifically disclose the following:

- i. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- ii. Type, material terms and particulars of the proposed transaction
- iii. Tenure of the proposed transaction (particular tenure shall be specified)
- iv. Value of the proposed transaction
- v. the indicative base price / current contracted price and the formula for variation in the price if any;
- vi. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)
- vii. ***If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:***
 - a. details of the source of funds in connection with the proposed transaction
 - b. where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments:
 - (i) nature of indebtedness
 - (ii) cost of funds; and
 - (iii) tenure
 - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;
 - d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT; and
 - e. Justification as to why the RPT is in the interest of the listed entity
- viii. A copy of the valuation or other external party report, if any such report has been relied upon
- ix. Percentage of the counter-party's annual consolidated turnover as per the last audited financial statements that is represented by the value of the proposed RPT on a voluntary basis
- x. Whether all factors relevant to the contract have been considered including the manner of determining the pricing and other commercial terms if not the details of factors not considered with the rationale for not doing so.
- xi. Any other information relevant or important for the Audit Committee or Board to take a decision on the proposed transaction.

b. Review of Related Party Transactions

The Audit Committee would review the related party transactions as identified by the Company after considering the disclosure made based on the identified transactions.

In order to approve the related party transaction, the Committee may also consider the following factors among others to the extent relevant to the Related Party Transaction.

1. Whether the related party transaction is fair and on arm's length basis. In reviewing the same, the Committee would also consider the following points:
 - a) Compare the existing contracts/agreements and its terms with one or more identical or similar transactions.
 - b) Compare the market terms known for such similar transactions. The Committee would also consider the review done by any external consultants/audit firms to base the opinion.
2. Whether there are any alternatives available and the business exigency compelling the Company to enter into such related party transaction.
3. Whether such transactions would affect the independency of KMP/Directors.
4. Whether the proposed related party transaction can be ratified by any law and is sought for the Committee, the reason for not obtaining the prior approval and the relevance of business urgency and whether such ratification is detrimental to the law in force if any.

If the Committee, after the review, considers fit it may approve the transaction.

Audit Committee will also review the statement of significant related party transaction submitted by the management. Significant related party transaction shall have the same meaning of material related party transaction.

c. Board approval of Related Party Transaction

If the Audit Committee after review of the Related party transaction, decides that specific transaction needs to be brought to the Board's attention or if it is mandatory as per applicable law for the Board to approve such Related Party Transaction, then the Board shall approve the Related Party Transaction at a meeting set forth after considering all the Identification and Review process as mentioned above with modifications, if any as may be relevant and appropriate under the given circumstances, may approve the Related Party Transaction.

d. Material Related Party Transaction

Prior approval of the Members shall be obtained for all the applicable Material Related Party Transactions and subsequent material modifications as per the provisions of the SEBI LODR 2015 and the Companies Act, 2013, as amended from time to time. The Notice being sent to the

Members seeking their approval shall include the requisite information as part of Explanatory Statement as may be prescribed under the Companies Act, 2013 and the SEBI LODR 2015 from time to time.

All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

All the transactions (except for the transactions entered into in the ordinary course of business and are at arms' length basis) exceeds the threshold limits as mentioned in the Table below shall be entered into with the prior approval of the Members of the Company by an Ordinary Resolution:

Sl. No	Criteria	Monetary Threshold Limits for passing Ordinary Resolution
1	Sale, Purchase or supply of any goods or materials (Directly or through Agent)	Amounting to 10% or more of the Turnover of the Company.
2	Selling or otherwise disposing of or buying, property of any kind (Directly or through Agent)	Amounting to 10% or more of Net worth of the Company.
3	Leasing of property of any kind	Amounting to 10% or more of the Turnover of the Company.
4	Availing or rendering of any services (Directly or through Agent)	Amounting to 10% or more of Turnover of the Company.
5	Appointment of any office or place of profit in the Company, its subsidiary company or associate company	Remuneration exceeds INR 2,50,000 per month.
6	Underwriting the subscription of any securities or derivatives thereof of the Company	exceeds 1% of Net worth of the Company.

Provided, further that no Members shall vote on such resolution to approve the Contract or arrangement which may be entered into by the Company if such Member is a related party irrespective of whether the person/entity is a party to the particular transaction or not.

The above conditions shall not apply to a company in which ninety per cent (90%) or more Members, in number, are relatives of promoters or are related parties.

It is hereby clarified that the limits specified in point (1) to (4) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transaction during a financial year.

The Turnover or Net worth referred in the above table shall be Computed on the basis of Audited Financial Statement of the preceding Financial Year.

e. Approval for Other than Material Related party transaction

In case of transactions other than Material Related Party Transaction and which meets the criteria of (i) Transaction which are entered into in the ordinary course of business and (ii) transactions which are at arms' length, neither Board approval nor the Ordinary Resolution of disinterested Members would be required.

f. Omnibus Approval

The Audit Committee may grant an Omnibus Approval for Related party transactions proposed to be entered into by the Company or its Subsidiary after considering the disclosure made based on the identified transactions and subject to the following Criteria/Conditions:

- 1) The approval is being sought in respect of Related Party Transactions which are repetitive in nature;
- 2) The Committee is satisfied that such related party transactions after following through the approval procedure as mentioned above and it would be in the interest of the Company / its Subsidiary to grant such Omnibus approval considering all the factors relevant from time to time;
- 3) In granting such Omnibus approval, the Committee would specify the following for such approval:
 - a) Name of the Related Party/Parties for whom approval is granted;
 - b) Nature of transaction;
 - c) Period for which transaction is approved;
 - d) Maximum amount of transaction(s) for which such approved is granted for the period;
 - e) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (f) such other conditions as the audit committee may deem fit.
- 4) Where the Committee cannot foresee such Related Party Transactions or which could not be identified or foreseen by the Company / its Subsidiary at the time of approval, the Committee may still grant approval subject to the condition that value of such transactions does not exceed rupees one crore (**INR 1 Crore**) per transaction and the details of such transactions so approved is duly placed before the Committee subsequently;
- 5) The Omnibus approval granted by the Shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 or rules, notifications, or circulars issued thereunder from time to time:
Provided further that in case of omnibus approvals for material related party transactions, granted by Shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed One (1) year from the date of such approval.;
- 6) The Committee may also grant fresh approval after the expiry of one (1) year after reviewing the transactions and if meets the criteria and as per the law in force from time to time;

- 7) The Committee would review the details of the related party transactions entered into by the listed entity or its subsidiary on a quarterly basis pursuant to the grant of each Omnibus approval;
- 8) The Committee shall also review the status of long-term (more than One (1) year) or recurring RPTs on an annual basis.

g) Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee and or Members:

- a. A Transaction entered into with the wholly owned subsidiary of the Company whose accounts are Consolidated with the Company and placed before the Members of the Company at the General meeting for approval;
- b. Any transaction that involves the providing of compensation/remuneration/sitting fees to Directors, Key Management Personnel and Senior Management Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates including any reimbursement in the form of reasonable business and travel expenses incurred in the ordinary course of business, except who are part of promoter or promoter group, provided that the same is not material;
- c. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all the holders of such securities receive the same benefits pro rata as the related party;
- d. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the Members at the general meeting for approval;
- e. Any transaction by the Company with its employees pursuant to their employment terms and conditions;
- f. Such other transactions as may be exempted under applicable laws;
- g. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

Explanation: For the removal of doubts, it is clarified that the term 'holding company' used in clause (b) above refers to and shall be deemed to have always referred to a listed holding Company.

5. Related Party Transactions not approved under the Policy

In the event that the Audit Committee becomes aware of any Related party transaction with a Related party that has not been approved under this Policy prior to its consummation, this matter shall be reviewed by the Audit Committee and shall consider all the relevant facts, options and circumstances including ratification, revision or termination of the Related party transaction. The Audit Committee would also consider the failure to report such transaction before taking appropriate action as may be deemed fit. In case the Audit Committee decides not to ratify any such Related Party Transaction that has already commenced without its approval, then the Audit

Committee as may be appropriate direct for such modification in the Contract/agreement/arrangement but not limited to discontinuation or recession of the transaction.

In connection with any review of related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy and as per the law for the time being in force.

Notwithstanding anything contained hereinabove, failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

6. Disclosure

All Related Party Transaction shall be disclosed in the Financial Statement/ Statutory Reports/ Documents as may be required as per the Companies Act, 2013, the SEBI LODR 2015 and relevant Accounting Standard, as may be amended from time to time.

The Company shall submit the disclosures of related party transactions to the Stock Exchanges in the format and manner as may be prescribed by the SEBI from time to time and publish the same on Company's website. Details of all material transactions with related parties shall be disclosed along with the quarterly Corporate Governance Report.

7. Amendments/ Policy Review

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI LODR 2015 including but not limited to the Industry Standards issued by the SEBI.

The Audit Committee ("**the Committee**")/ the Board reserves the right to review and amend the policy from time to time as and when required, subject to the provisions contained in SEBI LODR 2015, the Companies Act, 2013 and Rules made thereunder.

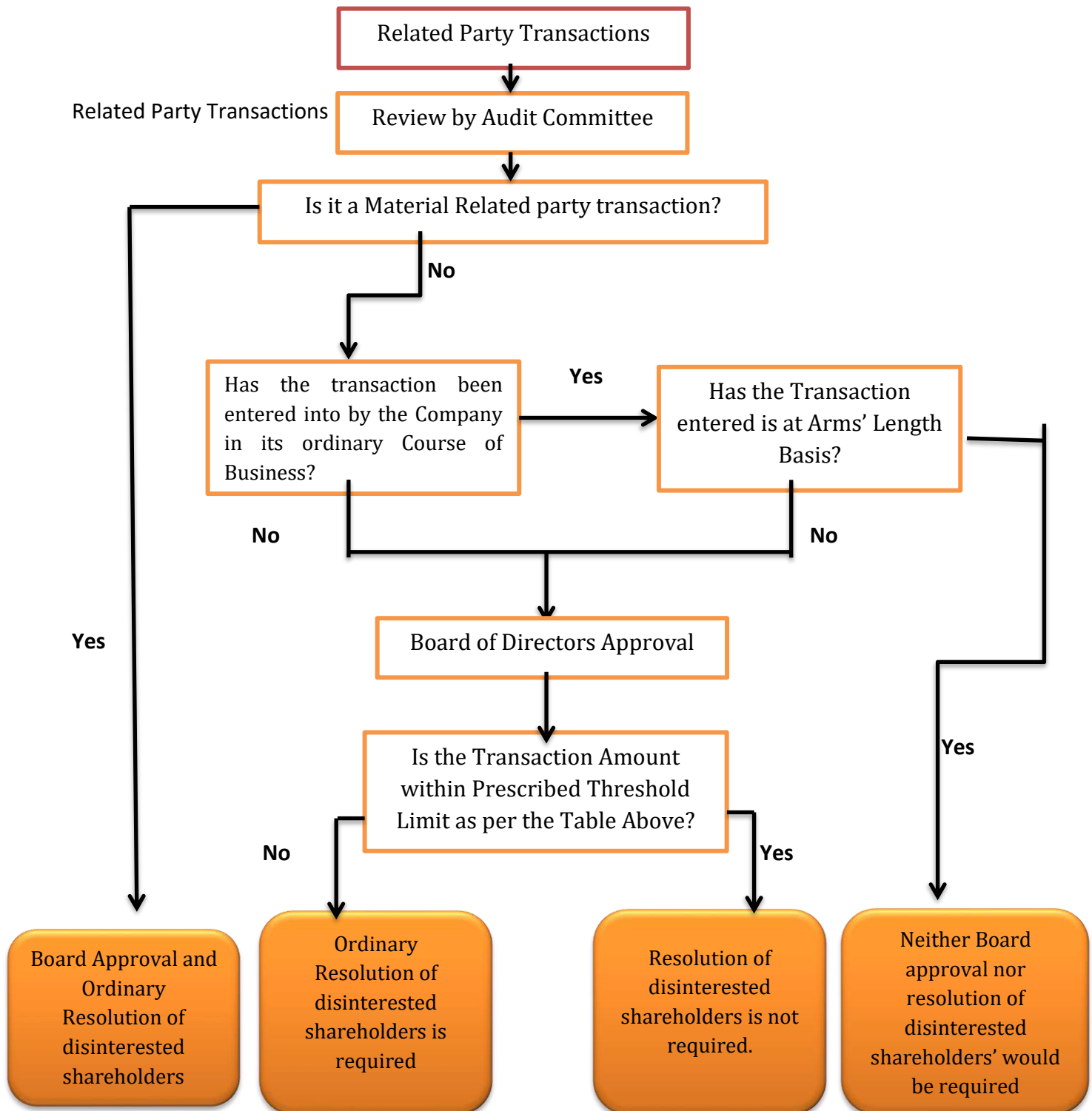
Any amendment or modification to the relevant Statutes, SEBI LODR 2015 and any other applicable regulation relating to Related Party Transaction(s) shall automatically be deemed to be incorporated in this policy and be applicable to the Company including its subsidiary (ies).

8. Dissemination of policy

This policy shall be hosted on the website of the Company and a web link shall be provided in the Annual Report of the Company.

FLOWCHART OF APPROVAL PROCESS FOR RELATED PARTY TRANSACTIONS

The approval Process is summarized by the following flowchart



Annexure to the Related Party Transaction Policy

The Company / its Subsidiary would also take into the following steps/action during the Implementation and ongoing compliances “

1. Identification of Related Parties
 - a. Name of the Related Party
 - b. Nature of Relationship
2. Identification of Transactions
 - a. Nature of contracts, transactions, Arrangements.
 - b. Terms and conditions of contract
 - c. Value of Contract
 - d. Period of contract.
 - e. Justification for entering into such contracts/agreements.
3. Justifying Arm's Length Principle
 - a. Back up documents /details to justify Arm's Length Principle.
 - b. If not on Arm's length principle, Members approval details.
4. Approval of the Audit Committee/Board/Members
 - a. Details of contracts/agreements/transactions approved by the Audit Committee /Board.
 - b. Date of approval and conditions of approval if any.
5. Agreements and back up Documentation.
 - a. Agreement copies in original duly signed by the respective parties.
 - b. Documentation for Invoices/Debit Notes etc. for the transactions made during the year/period.
6. Systems and Review Controls
 - a. Review of existing controls and effective monitoring of the related party transactions.
 - b. Provide analysis of various related party transactions with deviations if any and subsequent Board approvals/ratifications.
 - c. Recommend for any change due to change of law or statute.
7. Disclosure requirements as per the SEBI and the Companies Act, 2013.

Original Policy adopted on: October 01, 2014

First Revision: February 06, 2016

Second Revision: Revision w.e.f. April 01, 2019

Third Revision: Revision w.e.f. July 31, 2020

Fourth Revision: Revision w.e.f April 01, 2022

Fifth Revision: Revision w.e.f December 13, 2024 (approved on February 07, 2025)

Sixth Revision: Revision w.e.f March 28, 2025

Seventh Revision: Revision w.e.f February 05, 2026